

**KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM**

Present : Adv. A J Wilson, Member (Law)

OP 25/2022

In the matter of : Truing up of Accounts of M/s Cochin Special Economic Zone Authority (CSEZA) for the financial year 2020-21.

Petitioner : M/s Cochin Special Economic Zone Authority (CSEZA)

Date of hearing : 16-09-2022

Represented by : Sri. Boni Prasada Rao INMMS, DDC, CSEZA
Sri. Pramodu S, Secretary in Charge, CSEZA
Sri. K. C Seetharaman, Consultant, CSEZA
Sri. Krishna Varma K, Consultant, CSEZA

Order Dated 13-10-2022

1. M/s Cochin Special Economic Zone Authority (hereinafter referred to as CSEZA or the licensee or the petitioner) is a government owned Special Economic Zone, under the Ministry of Commerce and Industry, Department of Commerce, Government of India. Cochin Special Economic Zone Authority (CSEZA) constituted under the SEZ Act 2005, is the developer of the Zone providing infrastructure and other related services to the Zone. The Zone comprises 105 acres of land in Kakkanad, Kochi.
2. The Cochin Special Economic Zone Authority vide letter No.H-12/03/2021: CSEZA/4927 dated 29.12.2021 has filed a petition for the Truing Up of Accounts for the financial year 2020-21 as per the provisions of the KSERC (Terms and Conditions for Determination of Tariff) Regulations 2018 (hereinafter referred to as the Tariff Regulations, 2018). As per Regulation 10(1) of the Tariff Regulations, 2018, the petition for Truing Up of Accounts for the year 2020-21 had to be filed by 30-11-2021. Since there was a delay of 29 days, the licensee had also filed a petition for condonation of Delay vide letter No.H-12/03/2021: CSEZA/4927 dated 29.12.2021. The Kerala State Electricity Regulatory Commission (hereinafter referred to as the Commission) considered the matter and vide OP 01/2022 dated 27.01.2022, the delay was condoned and the petition was admitted as OP No.25/2022. The licensee has also submitted its accounts for the year 2020-21 audited by C&AG along with the petition.
3. The Commission had vide Order dated 02-12-2019 in OA 8/2019 approved the ARR&ERC for the Control Period 2018-19 to 2021-22. As per this Order, the Commission had approved a revenue surplus of Rs.84.51 lakh for the period 2020-21.

In the instant petition for Truing Up of Accounts for the year 2020-21, CSEZA has shown a revenue surplus of Rs.169.10 lakh. A comparative statement of the various expenses approved for the year 2019-20 and 2020-21 as per the Order dated 02-12-2019 and the actual expenses claimed by the licensee for the year 2019-20 and 2020-21 as per the petition for Truing Up of Accounts are tabulated below.

Table 1
Comparison of ARR&ERC for the period 2019-20 and 2020-21

Particulars	2019-20			2020-21		
	Approved in ARR (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	Approved in ARR (Rs. lakh) (A)	Truing Up Petition (Rs. lakh) (B)	Variance (Rs. lakh) (C)= (B)-(A)
Revenue from Sale of Power	3743.83	3880.28	3880.28	3887.85	3553.40	-334.45
Other Income	111.43	124.36	124.36	120.95	97.05	-23.90
Total Income	3855.26	4004.64	4004.64	4008.80	3650.45	-358.35
Purchase of Power	3524.40	3582.29	3582.29	3619.16	3167.46	-451.70
R&M Expenses		5.20			8.95	-202.29
Employee Cost	201.49	138.96	192.29	211.24	137.93	137.93
A &G Expenses		29.73			35.69	35.69
Depreciation	72.03	76.93	36.65	72.03	96.47	24.44
Return on Equity	21.86	36.04	16.82	21.86	34.85	12.99
Total Expenditure	3819.78	3869.15	3828.05	3924.29	3481.35	-442.94
Net Surplus/(Deficit)	35.48	135.49	176.59	84.51	169.10	

4. After examining the petition, the Commission has sought clarifications on the petition vide letter dated 27-04-2022 giving time till 06-05-2022 for furnishing the required details. The licensee vide letter No.H-12/03/2021: CSEZA/572 dated 06-05-2022 furnished the reply to the clarifications sought by the Commission.

Public Hearing on the Petition

5. The hearing on the petition for the Truing Up of Accounts for the year 2020-21 was conducted at Conference Hall, CSEZA on 16-09-2022 at 11.30 AM. The petitioner, M/s Cochin Special Economic Zone Authority was represented by Sri. Boni Prasada Rao Deputy Development Commissioner, Sri. Pramodu S, Secretary-in-Charge, CSEZA, Sri Seetharaman, Consultant and other officers and consultants of CSEZA. Sri. Seetharaman, presented details on the petition and responded to the queries of the Commission. The main points made by the licensee are-
- The connectivity with KSEB Ltd is 13 MVA at 110kV and the present average monthly maximum demand for 2020-21 is 9.789 MVA.
 - The Revenue from Sale of Power as per the petition is Rs.3553.40 lakh for the energy sale of 503.56 lakh units and the Non-Tariff Income is Rs.97.05 lakh which

includes interest on fixed deposits, bank balances, and interest on security deposits etc.

- c) The power purchase cost for the year 2020-21 is Rs.3167.46 lakh for purchase of 494.30 lakh units. The percentage of distribution loss is 1.274% of the energy input.
 - d) The total O&M expenses comprising employee cost, R&M expenses and A&G expenses as per the Truing Up petition is Rs.182.57 lakh. The actual claim is lower than the norms approved by the Commission.
 - e) Depreciation claim of Rs.96.47 lakh for the year includes depreciation for the asset addition also.
 - f) Rs.34.85 lakh is claimed as return on net fixed assets at the rate of 3% of NFA.
6. KSEB Ltd. vide their letter No. KSEBL/TRAC/AE1/CSEZA-TU 2020-21/2022-23/413 dated 15-09-2022 filed their comments on the Truing Up petition. The major points raised by KSEB Ltd are the following.
- a) In the distribution loss computation, the internal solar generation is also considered by the licensee for computing transformer loss which is incorrect.
 - b) O&M expenses may be limited to reasonable levels.
 - c) Prudence check on the asset addition, its source of funding and depreciation may be made to allow only reasonable depreciation expense.
 - d) As the licensee has created assets from 2016-17 using their accumulated surplus, the return on NFA may not be allowed and passed on as there is no cost of funds.
 - e) Prudence check to be made on all the deposits held and interest received by the licensee.
 - f) The power purchase cost claimed by the licensee in the petition is Rs.3167.46 lakh and the same as per KSEBL records is Rs.3176.65 lakh.

Analysis and decision of the Commission

7. The Commission considered the petition of the licensee for Truing Up of Accounts for the year 2020-21 along with the additional clarifications and submissions furnished by the licensee vide letter dated 06-05-2022 & 27-09-2022 and the clarifications provided in the public hearing and the comments of KSEB Ltd vide letter dated 15-09-2022. The analysis and decisions of the Commission as per the provisions of the Tariff Regulations 2018 on the petition for Truing Up of Accounts for the year 2020-21 are detailed below.

Energy Sales and Number of Consumers

8. As per the ARR Order dated 02-12-2019, the Commission approved the sale of power for the year 2020-21 as 573.60 lakh units. In their truing up petition, the licensee has claimed actual sales of 503.57 lakh units. Compared to the actual sales of 567.10 lakh units in the year 2019-20 there is a decrease of 11.20% in the current year sales. A comparison of the actual sale of power and number of consumers category wise for the year 2019-20 and 2020-21 is given below.

Table 2
Comparison of Energy Sales and No. of Consumers for 2019-20 and 2020-21

Category	As per Trued Up 2019-20		As per Truing Up Petition 2020-21	
	No of consumers	Sales In lakh Units	No of consumers	Sales In lakh Units
HT – Industrial [HT-I(A) & I(B)]	28	443.91	28	398.17
HT- Agricultural [HT-III(B)]	1	12.79	1	11.86
LT – Industrial [LT-IV(A) & IV(B)]	96	103.00	93	87.10
LT – Commercial [LT-VII(A)]	16	2.90	14	2.03
LT – Other categories [LT-VI(A), VI(B), VI(D), VI(F) & VIII(B)]	26	4.50	28	4.41
Total	167	567.10	164	503.57

9. The table above indicates that the major share of the sale (398.17 lakh units) is to the HT – Industrial [HT-I(A) & I(B)] category which consists of 28 consumers and constitutes about 79.07% of total sale of power. It is also seen that, the number of consumers has decreased from 167 during the year 2019-20 to 164 in the year 2020-21. The energy sale has also decreased from 567.10 lakh units during the year 2019-20 to 503.57 lakh units in the year 2020-21. The Commission vide letter dated 27-04-2022 sought clarification for the decrease in sale of power and the licensee vide letter dated 06.05.2022 clarified that the cause for reduction in energy sale in FY 2020-21 compared to FY 2019-20 was due to the reduced consumption by consumers due to COVID-19 pandemic. **After examining the details furnished by the licensee, the Commission hereby approves the actual energy sales of 503.57 lakh units for the year 2020-21 as claimed by the licensee.**

Energy Requirement and Distribution loss

10. As per the petition, the total energy input is 510.07 lakh units, which is inclusive of 494.30 lakh units purchased from KSEB Ltd and 15.77 lakh units generated from the solar plant. The Commission in the Order on ARR&ERC dated 02-12-2019 approved

581.60 lakh units as energy requirement with 15.10 lakh units as internal solar generation and 566.50 lakh units as energy from KSEB Ltd. The licensee in the petition has claimed that the actual distribution loss for the year 2020-21 is 1.27% as against the distribution loss of 1.38% approved by the Commission in the Order on ARR&ERC. The details of the distribution loss as per the petition are as shown below.

**Table 3
Comparison of Energy Requirement and Distribution Loss**

SI no	Particulars	2019-20		2020-21	
		As per Truing Up Petition	Trued Up	ARR Approved	As per Truing Up Petition
1	Energy Requirement (lakh units)				
	a) Purchase from KSEB Ltd	565.80	565.80	566.50	494.30
	b) Self-generation (Solar)	9.40	9.40	15.10	15.77
	Total	575.20	575.20	581.60	510.07
2	Energy sales (lakh units)	567.10	567.10	573.60	503.57
3	Distribution loss (lakh units) (1-2)	8.10	8.10	8.00	6.50
4	Distribution loss (%)	1.41%	1.41%	1.38%	1.27%

11. The Commission vide letter dated 27-04-2022 sought clarification as to whether the solar generation is used for captive consumption or sale. The licensee vide letter dated 06.05.2022 clarified that the solar power generated within CSEZA is grid connected to CSEZA's power distribution system and the power so generated is sold to consumers within CSEZ along with the power purchased from KSEBL. The licensee further clarified that solar power is not exported to KSEB grid outside CSEZ.
12. The licensee in the petition stated that the distribution system has underground cabling and pre-paid meters of 0.5 accuracy class. The licensee further stated that they had projected 1.73% distribution loss for the year 2020-21, at the time of filing MYT petition. As per the licensee, in spite of their request during the ARR & ERC MYT petition hearing, to approve reasonable distribution loss, the Commission approved only 1.38 % loss for the financial year 2020-21. The actual distribution loss for the year 2020-21 came to 1.27%.
13. The actual distribution loss of the licensee for the year 2020-21 (1.27%) is lower than the levels approved by the Commission (1.38%), as well as the actual distribution loss for 2019-20 (1.41%). Since the distribution loss is a controllable performance parameter, the licensee can retain a portion of the gain as per the provisions of clause 74(4) of the Tariff Regulations, 2014. The relevant provision of the regulation is as shown below:

14. Regulation 72 (4) of Tariff Regulations 2018 requires that, if the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the Control Period, then the savings in power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1. The relevant portion of the Regulations is shown below.

“72. Distribution loss:

(4) Any variation between the actual level of distribution losses and the approved level of distribution losses shall be dealt with, as part of the truing up of the respective financial year in the Control Period, in the following manner: -

a) If the actual distribution loss is higher than the approved level of distribution loss for any particular financial year of the Control Period, then the quantum of power purchased corresponding to the excess distribution loss for that financial year, shall be disallowed at the average cost of power purchase for the respective financial year;

b) If the actual distribution loss is lower than the approved level of distribution loss for any particular financial year of the Control Period, then the savings in power purchase cost corresponding to the difference in distribution loss for that financial year at the average cost of power purchase for the respective financial year, shall be shared between the distribution business/licensee and the consumers in the ratio of 2:1.”

15. Hence, efficiency gain on the controllable parameters has to be shared in the ratio of 2:1 ie, 2/3rd of gain is to be retained by the licensee and 1/3rd is allowed to be passed on to the consumers. **The Commission hereby approves the actual distribution loss of 1.27% as claimed by the licensee.** Accordingly, as per the provision of the regulations, the power purchase cost for the year is computed as shown below.

Power Purchase Cost

16. The actual power purchase cost for the year 2020-21 as per the petition is Rs.3167.46 lakh for the purchase of 494.3 lakh units. The Commission in the order on ARR&ERC had approved the cost of power purchase of Rs.3619.16 lakh for a purchase of 566.5 lakh units. A comparison of the details of the power purchase cost claimed is shown below.

Table 4
Details of cost of power purchase for the year 2019-20 and 2020-21

Particulars	2019-20	2020-21
Energy Purchase (In lakh units)	565.8	494.3
Contract Demand (kVA)	10000	13000
Maximum Demand (kVA)	130708	117472
Excess Demand (kVA)	9946	0.00
Excess Demand Charges (Rs. lakh) (A)	16.05	0.00
Demand charge (Rs. /kVA)	Rs 300/kVA- up to 08.7.2019 and Rs 340/kVA from 08.7.2019 onwards.	Rs.340/kVA
Total Demand Charges (Rs. lakh) (B)	429.79	399.40
Energy charges (Rs. kWh)	Rs 5.40/kWh up to 08.07.2019 and Rs 5.6/kWh from 08.7.2019 onwards	Rs 5.6/kWh
Total Energy Charges (Rs. lakh) (C)	3136.45	2768.05
Any Other Charges (Specify) (Rs. lakh) (D)	Nil	Nil
Cost of power purchase (Rs. lakhs) (A+B+C+D)	3582.29	3167.46
Average Power Purchase Cost (Rs/unit)	6.33	6.41

17. As per the submission of KSEB Ltd, the following differences are noted in the power purchase cost with that in the records of KSEB Ltd.

Table-5
Difference in power purchase cost as per petition and KSEB records

SI No	Particulars	As per Truing Up Petition	As per KSEBL records
1	Power purchase of M/s CSEZA for the year 2020-21 (MU)	49.429	49.429
2	Total Charges [fixed + energy charges (Rs lakhs)]	3167.46	3176.65

18. ***The Commission hereby directs the licensee to reconcile the difference in power purchase figures with that of KSEB Ltd within a period of 3 months from the date of issue of this Order.***
19. As mentioned in Para 14 above, as per the Tariff Regulations 2018, the licensee has to pass on 1/3rd of the efficiency gain to the consumers and balance can be retained. Accordingly, the power purchase cost for the year 2020-21 duly considering the Regulation 74(4) is as shown below.

Table 6**Details of the cost of power purchase approved for 2020-21**

1	Actual Energy loss (lakh units)	1.27%	6.50
2	Energy loss at approved distribution loss (lakh units)	1.38%	7.04
3	Efficiency gain (lakh units)		0.54
4	Efficiency gain at average power purchase cost (Rs.lakh) (0.54 lakh units x Rs.6.41/unit)		3.46
5	Efficiency gain to be retained by licensee (2/3rd) (Rs.lakh)		2.31
6	Actual Power purchase cost (Rs.lakh)		3167.46
7	Approved Power purchase cost (Rs.lakh) (5+6)		3169.77

20. *The 2/3rd of efficiency gain at average power purchase cost of Rs 2.31 lakh is hereby allowed to the power purchase cost and the Commission hereby approves the power purchase cost of Rs.3169.77 lakh for the purpose of truing-up for the year 2020-21.*

Operation & Maintenance Expenses

21. The Operation & Maintenance expenses include controllable expenses like Employee Cost, Repair & Maintenance Expenses and Administrative & General Expenses. The Commission as per Regulation 79(2) of the Tariff Regulations, 2018 had approved the licensee to recover O&M costs as per norms specified in the Regulations for the year 2020-21. The Commission had vide ARR order dated 02-12-2019, approved the O&M expenses for the period 2020-21.
22. The licensee has furnished the O&M expenses in the petition for Truing up of accounts for 2020-21 which is lower than the norms specified by the Commission. A comparison of the expenses under O&M in the licensee's petition for Truing up and the amount approved in the ARR order are tabulated below: -

Table 7
Comparison of the O&M Expenses for 2019-20 and 2020-21

O&M Expenses	2019-20			2020-21	
	As per Regulation (Rs. lakh)	As Per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	As per Regulation (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Employee expenses	165.48	138.96	192.29	173.49	137.93
R&M expenses	8.02	5.2		8.40	8.95
A&G expenses	27.99	29.73		29.35	35.69
Total	201.49	173.89	192.29	211.24	182.57

23. From the above table, it is seen that the employee cost claimed by the licensee in the year 2020-21 is lower than that approved as per Regulations, whereas the R&M as well as A&G expenses claimed is higher than the norm amount. Item wise O&M expenses claimed by the licensee for the year 2020-21 is discussed below.

Employee cost

24. In the petition for Truing Up of Accounts, the licensee has claimed an amount of Rs.137.93 lakh as against the amount of Rs.173.49 lakh approved in the Regulation as employee cost for carrying out the distribution business. The actual employee expense claimed by the licensee is lower than the norms approved by the Commission as well as the previous year (2019-20) trued up amount of Rs.138.96 lakh. The licensee in the petition stated that Rs.113.47 lakh was paid in FY 2020-21 to the outsourced O&M agency as annual fee towards man hour charges for the O&M services provided and Rs. 24.46 lakh was apportioned as proportionate employee cost of CSEZ staff. As such, the total employee costs for FY 2020-21 came to Rs. 137.93 lakh. The split up details and a comparison of the employee cost for the current year 2020-21 and previous year 2019-20 is shown below.

Table 8
Comparison of Employee Cost for the year 2019-20 and 2020-21

Particulars	2019-20	2020-21	
	Trued Up Amount (Rs. lakh)	As per the Regulation (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Employee Expenses	23.29	173.49	24.46
Charges to O&M Agency	115.67		113.47
Total	138.96	173.49	137.93

25. The Commission sought the split-up details of net employee expense of Rs.24.26 lakh shown in Form D 3.4(a) under the head Employee Cost. The licensee in their clarification submitted that the actual salary cost for CSEZA staff for FY 2020-21 is Rs.48.60 lakh of which the actual cost to be charged to the Power Distribution System (PDS) based on the time spent by each staff for the PDS work is Rs.24.46 lakh and was absorbed in Power Account during 2020-21 which works out to 50.325% of the actual cost incurred based on time contribution. The basis and breakup details as furnished by the licensee is as given below.

Table 9

Details of Apportionment of Employee Expenses for Power Distribution- CSEZA staff for 2020-2021

A. Salary Expenses of Direct Employees of CSEZA					
Sl. No.	Designation	Gross salary	No. of posts taken for Power Disitribution	Percentage of time contribution apportioned to Power Distribution Business	Total annual salary expenses to be apportioned to Power dsitribution business based on time contribution (Rs.)
1	Development Commissioner	2646304	1	5	132315
2	Dy Development Commisioner	2219248	1	5	110962
3	Security Officer	2068372	1	5	103419
4	Assistant Development Commissioner	1078852	1	50	539426
5	Asst Security Officer	763368	1	5	38168
6	Assistant	1359688	2	100	2719376
7	Head Security Guard	1106456	2	5	110646
8	Security Guard	189872	1	5	9494
9	Peon/ Multi Tasking Staff	370486	1	20	74097
	Subtotal (A)	11802646			3837903
B. Employees engaged by CSEZA on contract basis					
Sl No	Designation	Consolidated monthly remmuneration (Rs.)	Number of Persons engaged	Percentage of time contribution apportined to Power Distribution Business	Total annual salary to be apportioned to power dsitribution business based on time contribution (Rs.)
1	Electrical Expert (Electrical Consultant) for Regulatory Affairs & Power Distribution matters	50000	1	100	600000
2	Legal Expert	60000	1	30	216000
3	Chartered Accountant	42900	1	40	205920
4	Software Expert for Prepaid Metering System& System Administration		1	100	0
	Subtotal(B)	152900			1021920

	Total Employee Cost for Power Distribution Business(A +B)				4859823
	Actual salary cost for CSEZA staff for 2020-21 is Rs. 48.59823 lakh and only Rs.24.46 lakh was absorbed in power account during 2020-21 which works out to 50.33% of actual cost incurred based on the contribution.				

26. The Commission further sought clarification as Form D 3.4a showed an amount of Rs.113.47 lakh for Operation & management fee to agency under the head Employee expenses whereas the audited Balance Sheet showed an amount of Rs.129.32 lakhs as Operation& management fee. The licensee vide letter dated 06.05.2022 clarified that O&M fee paid to the O&M Agency was Rs.10.78 lakh per month which works out to Rs.129.32 lakh/annum. Out of Rs.10.78 lakh per month paid to O&M Agency, an amount of Rs 1.32 lakh per month was the manpower charges paid by O&M Agency to the sub agency who is operating and managing the prepaid metering system. The licensee further clarified that in form 3.4 (a) of the petition, Rs.113.47 lakh is shown as Employee expenses paid to O & M Agency and the differential amount of Rs.15.846 lakh has been included within Rs.16.60 lakh [form 3.4 (b)] under A&G Expenses as Charges for Monitoring & Managing prepaid metering software system.
27. The Commission vide Para 72(a) of OP 29/2021 dated 21.10.2021 (Truing up Order for the financial year 2019-20), directed the licensee to file a petition with the complete list of workers/staff, their qualification, place of deployment, category, salaries, wages and all other benefits paid to them within three months of the date of issue of the said Order. The Commission sought the status of the same and the licensee vide letter dated 06.05.2022 replied as follows.

“CSEZA acts as a facilitator for the exporting units in the Zone and do not have technical manpower in its roll. Hence, entire O & M activities of the 110 KV Substation, Distribution, Service connections, metering, billing, implementation of modifications and repairs etc. are got done through outsourced Operation & Maintenance Agency and various contracted maintenance sub agencies.

CSEZA is in the process of selecting a new O& M agency for planning, managing and supervising O & M activities of 110 KV substation and power distribution system. An Expression of Interest has been floated for the same and expects competitive bidding. It is because of that reason, CSEZA has not filed a petition as directed by the Hon’ble Commission. CSEZA requests Honorable Commission to permit some more time to CSEZA for filing separate petition for employee expenses as details will be firmed up only after finalizing the same. However, the following details are brought to the attention of Commission as tentative details.

Employee Expenses of CSEZA comprises the following:

- 1. Salary Expenses of CSEZA’s staff and experts directly engaged by CSEZA working for Power Distribution system apportioned based on their time contribution spent for Power Distribution business.*

2. *Manpower expenses of employees engaged by Operation and Maintenance Agency for O & M activities.*

Details of man power engaged, qualifications, deployment, wages/salary expenses

1. *Services of following Officers of CSEZA and experts engaged directly by CSEZA are utilized for the administrative and overall management and regulatory compliance of Power Distribution system along with their apportioned time contribution:*

<i>Sl. No.</i>	<i>Designation</i>	<i>Number of Posts</i>	<i>Apportionment of Time contribution- %</i>
A	CSEZA's Direct Employees working for Power Distribution System		
1	<i>Development Commissioner</i>	1	5
2	<i>Dy. Development Commissioner</i>	1	5
3	<i>Security Officer</i>	1	5
4	<i>Assistant Development Commissioner</i>	1	50
5	<i>Asst Security Officer</i>	1	5
6	<i>Assistant</i>	1	100
7	<i>Security Guard</i>	3	5
8	<i>Peon/ Multi-Tasking Staff</i>	1	20
B	Experts directly engaged by CSEZA		
1	<i>Electrical Expert (Consultant- Power)</i>	1	100
2	<i>Legal Expert</i>	1	30
3	<i>Chartered Accountant</i>	1	40

2. *Man Power Expenses of Employees engaged by O & M Agency.*

The expenses on manpower comprises of two parts – (1) manpower directly employed by the O&M agency and (2) manpower employed through sub agencies.

- (1) *The O & M Agency has to provide the manpower required for planning, supervision and management of O&M of Power Distribution System, for ensuring statutory and regulatory compliance. Taking into account the recent regulations issued by the BEE, the services of certified Energy Manager and IT Manager of the DISCOMs for coordinating Energy Auditing and for furnishing required returns and audit report to BEE are also required to be availed through O&M agency.*

Qualification and experience details of manpower employed by O & M Agency is listed below:

<i>Designation</i>	<i>No. of Personnel</i>	<i>Educational Qualification</i>	<i>Experience on eligible assignments</i>
<i>Resident Engineer</i>	<i>1</i>	<i>Degree in Electrical Engineering</i>	<i>Bachelor's degree in Electrical Engineering with minimum 15 years experience in design/construction/ monitoring of EHT substation & power distribution system. Thorough knowledge on statutory rules and regulations in electric supply and distribution system. Should have experience in any Government organization/ Government undertaking/ corporations/ reputed private sector entities. Should have experience in regulatory matters and familiar with KSERC regulations.</i>
<i>Assistant Engineer cum Energy Manager</i>	<i>1</i>	<i>Degree in Electrical Engineering. Also, should have certification from Bureau of Energy Efficiency as Energy Manager</i>	<i>5 years experience in the field of plant operations, power distribution and maintenance. 3 years experience in the field as energy manager</i>
<i>Junior Engineer / Supervisor</i>	<i>1</i>	<i>ITI/Diploma in Electrical Engineering</i>	<i>Minimum 5 years experience in Plant operations / maintenance</i>

<i>IT Manager/Software Engineer</i>	<i>1</i>	<i>MCA/B Tech</i>	<i>Minimum 3 years experience</i>
<i>Accountant/Finance Manager</i>	<i>1</i>	<i>Post graduate in Commerce</i>	<i>5 years experience in accounting and knowledge in tally, MS-Excel, Word, GST , etc.</i>

(2) Manpower employed through sub agencies.

Manpower being employed through Sub Agency for regular O & M of Substation and Distribution System are listed below:

<i>Designation</i>	<i>No. of personnel</i>	<i>Educational qualification</i>	<i>Experience</i>
<i>Station/Shift Engineer/Electrical Safety Officer (Substation)</i>	<i>Nos. one in each shift, 3 shifts in a day including 1 standby staff</i>	<i>Bachelor Degree in Electrical Engineering</i>	<i>5 years experience in O&M of EHT Substation (*Note- At least 1 No. Electrical safety officer shall possess a degree in Electrical Engineering with at least Five years or a Diploma in Electrical Engineering with at least 10 years experience in O&M of electrical installation) certified as per CEA regulations.</i>
<i>Sub Engineer-Distribution</i>	<i>One in day shift</i>	<i>Degree or Diploma in Electrical Engineering</i>	<i>BE with 3 years experience or Diploma with 5 years experience in Maintenance of 110/11 kV Substation.</i>
<i>Electrical Assistant</i>	<i>Nos. – 2 Nos. in each shift, 3 shifts in a day including one stand-by staff.</i>	<i>Electrician (ITI/ITC Certificate Holder)</i>	<i>2 years experience in Substation operations/11 kV/LT distribution</i>
<i>Electricians & Helpers</i>	<i>One semi-skilled</i>	<i>To assist and attend the maintenance works</i>	

*The total amount paid to the O&M agency towards employee charges comes to **Rs.113.47 lakh** as stated earlier. Thus, the total annual Employee Expenses of CSEZA for Power Distribution System has been estimated as **Rs.137.93 lakh. (Rs24.46+Rs.113.47) lakh.**”*

28. The Commission has examined the submission of the licensee and appreciates the fact that the licensee has limited the employee cost to a level lower than the norms fixed by the Commission. The overall employee cost, however, has also decreased to Rs.137.93 lakh in 2020-21 from Rs.138.96 lakh in 2019-20. The apportioned cost of CSEZA employees has increased from Rs. 23.29 lakh to Rs.24.46 lakh during the same period whereas the charges payable to O&M agency was reduced to Rs.113.47 lakh from Rs. 115.67 lakh.
29. ***Since the actual employee cost is within the norms fixed, the Commission hereby approves the actual employee expenses of Rs.137.93 lakh for the year 2020-21.***

Administration and General Expenses

30. The A&G expenses claimed by the licensee as per the petition for Truing Up of Accounts is Rs 35.69 lakh as against the approved amount of Rs.29.35 lakh. A&G expenses include various items such as rent, rates and taxes, insurance, internet and related charges, charges for monitoring and managing pre-paid metering and licensee fee and other related fee etc. The major items booked under A&G expenses are towards charges for monitoring & managing prepaid metering software system, Rent & taxes, and towards V-sat, internet and related charges amounting to Rs.16.60 lakh, Rs.10.04 lakh and Rs.4.82 lakh respectively. A comparison of the A&G expenses for the year 2019-20 and 2020-21 is tabulated below.

Table 10
Comparison of A&G expenses for the year 2019-20 and 2020-21

Particulars	2019-20	2020-21
	Trued Up Amount (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
Rent Rates & Taxes	10.04	10.04
Insurance	1.96	1.96
Electricity charges & Water charges	0.11	0.09
Truing Up Application fee to KSERC & Other petition fee to KSERC	0.60	0.56
Inspection Fee (Electrical Inspectorate)	1.02	0.39
License fee and other related fee	1.07	1.15
Printing & Stationery	-	0.09

Bank Charges	0.01	0.01
V-sat, Internet and related charges	5.2	4.82
Travelling Expenses	0.07	-
Charges for monitoring and managing pre-paid metering	9.66	16.60
Grand Total	29.73	35.69

31. The other major expenses are insurance of Rs.1.96 lakh and Rs.1.15 lakh towards licensee fee and other related fee. The rent, rates and taxes amounting to Rs.10.04 lakh is towards the lease rent of substation paid to the Estate department (inter departmental transaction of CSEZA from Power Distribution System Account to Estate Account) of the licensee. It is to be noted that items such as licensee fee and other related fee and charges for monitoring and managing pre-paid metering, there is increase over previous year.
32. The Commission has directed the licensee to take steps to bring the expense towards operation and management of prepaid metering system to acceptable levels by tendering once the current contract period is over vide OP 29/2021 dated 21.10.2021. However, the charges for Monitoring & Managing prepaid metering software system under the head A&G expenses has increased from Rs.9.66 lakh in the year 2019-20 to Rs.16.60 lakh in the year 2020-21, i.e., there is an increase of 71.84%.
33. The Commission sought clarification on the same and the licensee submitted that the charges for Monitoring & Managing prepaid metering software system under the head A&G expenses was Rs.9.66 lakh in the year 2019-20. The charges for Monitoring & Managing prepaid metering software system under the head A&G expenses was Rs.16.60 lakh in the year 2020-21. The reason for increase was due to the hike in monthly service charges paid by O& M Agency to sub agency who is Monitoring & Managing prepaid metering software system from Rs.0.55 lakh/ month to Rs.1.32 lakh per month as per the new AMC. The sub agency is engaging two graduate engineers at site for system administration, back up, monitoring communication modems & network, configuration of modems for new service connections and for generation of monthly bills/statements as well as other reports. Also, two other staff are being provided by the sub agency on call basis for attending minor changes /modifications in the software.
34. The licensee further submitted that, CSEZA is planning to revamp the entire prepaid metering system to new prepaid smart energy meter system and associated software by December 2023 as per directives by Bureau of Energy Efficiency in the latest Energy Audit and Energy Accounting Regulations which came into effect from 6th October 2021. When the new smart metering system will be in place, CSEZA will accordingly completely review and amend the AMC charges for prepaid metering system.

35. The Commission examined the details furnished by the licensee. The Commission noted that the total A&G expense has increased by 20.05% compared to the previous year. This is mainly due to the increase in the monthly charge for management of prepaid metering system by about 1.4 times from Rs.0.55 lakh to Rs.1.32 lakh.
36. **Considering the details furnished by the licensee and decision of the licensee to revamp the entire prepaid metering system to new prepaid smart energy meter system and associated software by December 2023, the Commission hereby approves the actual amount of Rs.35.69 lakh as the Administrative and General expenses for the year 2020-21.**

Repair and Maintenance Charges

37. The actual R&M expense claimed by the licensee is Rs.8.95 lakh as against the approved amount of Rs.8.40 lakh for the year 2020-21. The comparison of the R&M for the years 2019-20 and 2020-21 is as shown below.

Table 11
Repair and Maintenance for the year 2019-20 and 2020-21

Particulars	2019-20	2020-21	
	Trued Up	As per the Regulation	Truing Up Petition
	(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)
R&M Expenses	5.2	8.40	8.95
Total	5.2	8.40	8.95

38. From the above table it is seen that, there is an increase of Rs.3.75 lakhs (72.12%) in the R&M expense in 2020-21 compared to the previous year 2019-20. The split-up details of R&M expenses incurred during the year are as follows.

Table 12
R&M expenses for the year 2020-21

S.No.	Description of works	Amount in Rupees	Remarks
1	Replaced the cable end termination box in 630 KVA Transformer, Plot No.34	89800	Was included in MYT petition
2	Purchasing of Alstom Trip Supervision relay, Schineder PM 210 Power logic digital meter, Siemens relays (7SJ62 & amp; 7UT61)	426200	Was included in MYT petition for 2019-20, but done in 2020-21
3	Refilling of fire extinguishers in 110 KV Substation	10625	Was included in MYT petition

4	Testing of relays in 110 KV Substation	68800	Was included in MYT petition for 2019-20, but done in 2020-21
5	Servicing of 3 nos ABB make VCB in 110 KV Substation	30000	Was not planned in MYT Petition , but had to be done on urgent basis as additional work
6	Relay Testing and Commissioning(trip ckt relay)	18000	Was included in MYT petition for 2019-20, but done in 2020-21.
7	Arresting Oil Leak in Power Transformer 1 and 400KVA Transformer in 110KV Substation	30000	Was not planned in MYT Petition , but had to be done on urgent basis as additional work
8	Arresting oil Leak in metering CT in 110 kV Substation	10000	Was not planned in MYT Petition , but had to be done on urgent basis as additional work
9	Replacement of faulty electrical equipment in 110 KV Substation	95300	Was not planned in MYT Petition , but had to be done on urgent basis as additional work
10	Replacement of rusted control cable entry box of PT & CT in 110 kV substation	36600	Was not planned in MYT Petition , but had to be done on urgent basis as additional work
11	Consumption of spares	79278	
	Total Amount (In Rupees)	894603	

39. The Commission vide letter dated 27-04-2022 sought reasons for the increase in R&M expenses by 72.12% compared to the previous year and the licensee replied that the actual expense incurred towards Repairs and Maintenance works undertaken during 2020-21 came to Rs.8.95 lakh as against Rs 5.20 lakh incurred in 2019-20. As per the licensee, this increase is mainly due to the following reasons:

- a. The following R&M works amounting to Rs.5.13 lakh which were earlier planned to be done in FY 2019-20, had to be postponed to 2020-21 due to various reasons including the outbreak of COVID 19 at the far end of 2019-20.
 - i. Purchasing of Alstom Trip Supervision relay, Schneider PM 210 Powerlogic digital meter, Siemens relays (7SJ62 & 7UT61) - Rs 4,26,200/-
 - ii. Testing of relays in 110 KV Substation,- Rs. 68,800/-
 - iii. Relay Testing and Commissioning (trip circuit relay) –Rs.18,000/-

- b. Some emergency/one time works totalling Rs.2,01,900/- were to be undertaken in 2020-21 to provide reliable supply to consumers, though the same was not planned in MYT stage.
- i. Servicing of 3 Nos. ABB make VCB in 110 KV Substation-Rs.30,000/-
 - ii. Arresting oil leak in Power Transformer 1 and 400KVA Transformer in 110KV Substation-Rs.30,000/-
 - iii. Replacement of faulty electrical equipment in 110 KV Substation-Rs.95,300/-
 - iv. Arresting oil leak in metering CT in 110 kV Substation-Rs.10,000/-
 - v. Replacement of rusted control cable entry box of PT&CT in 110 kV substation-Rs 36,600/-

40. ***The Commission has duly considered the explanations/clarifications furnished in the licensee's submission regarding the emergency/one time works undertaken in 2020-21 to provide reliable supply to consumers. Accordingly, the Commission hereby approves the actual amount of Rs.8.95 lakh as R&M expense for the year 2020-21.***

O&M expenses approved for 2020-21

41. The O&M expenses, which includes Employee costs (Rs.137.93 lakh), R&M expenses (Rs.8.95 lakh), and A&G expenses (Rs.35.69 lakh) totalling to Rs.182.57 lakh is the actual amount incurred for the year 2020-21. However, this amount is lower than the O&M expenses of Rs.211.24 lakh approved as per the Regulations. Hence, there is a gain of Rs.28.67 lakh (Rs.211.24 lakh – Rs.182.57 lakh). As per Regulation 14 of the Tariff Regulations, 2018, the aggregate gain on the controllable parameters is to be shared at the ratio of 2:1 ie, 2/3rd of gain is to be retained by the licensee and 1/3rd is to be passed on to the consumers. The relevant portion of the Regulation is shown below.

14. Mechanism for sharing of gains or losses on account of controllable factors.

(1) The aggregate gain to the generating business/company or transmission business/licensee or distribution business/licensee or State Load Despatch Centre, as approved by the Commission, on account of controllable factors shall be dealt with in the following manner: -

(a) one-third of the amount of such gain shall be passed on to consumers as a rebate in tariffs;

(b) the remaining two-third of the amount of such gain, may be utilised at the discretion of the generating business/company or transmission business/licensee or distribution business/licensee:

42. **The Commission had allowed to retain the benefit of efficiency gain to the licensee in the year 2019-20. Similarly, in the year 2020-21 also the petitioner has incurred O&M expenses lesser than the norms fixed and accordingly eligible for the benefit as per Regulation 14 of Tariff Regulations 2018. Hence, the Commission hereby approves Rs.201.68 lakh as the Operation and Maintenance expenses for the year 2020-21 as shown below.**

**Table 13
O&M Expenses approved for the year 2020-21**

Sl. no	Particulars	Rs. lakh
1	Total O&M approved as per the Regulations	211.24
2	Total O&M claimed as per the Truing Up Petition	182.57
3	Total Efficiency Gain (1-2)	28.67
4	Efficiency Gain to be retained by the licensee (2/3 rd of (3)) = 28.67*2/3	19.11
5	Approved O&M for the Truing Up of accounts (2+4)	201.68

Asset Additions during the year 2020-21

43. The Commission had approved Rs.8.00 lakh as Asset addition for the year 2020-21 in the Order dated 02-12-2019 while approving ARR & ERC for the MYT period 2018-19 to 2021-22. In the petition for Truing Up of accounts, the licensee has claimed Rs.341.72 lakh for the year 2020-21. The split-up details of the asset additions during the year 2020-21 are shown below.

**Table -14
Assets additions during the year 2020-21**

SI No	Asset description	Total amount of Asset added/capitalized- Rupees	Date of Commissioning/ date of capitalization	Remarks
1	Replacement of existing HT panel in SDF-16 with IP 67	18,19,800	17-Mar-21	This was planned in MYT and approved by Commission for FY

	indoor type RMU under power distribution system in CSEZ			2019-20. But since capex order came only on 2.12.2019, there was no enough time for tendering and implementing in 2019-20. Hence the work had to be postponed to FY 2020-21.
2	Supply, Installation, Testing and Commissioning of 110kV, 31.5KA 800A triple pole, Centre post rotating, horizontal double breaker isolator without earth switch in 110kV sub-station of CSEZ	9,48,281	20-Sep-20	This was planned in MYT and approved by Commission for FY 2019-20. But since capex order came only on 2.12.2019, there was no enough time for tendering and implementing in 2019-20. Hence the work had to be postponed to FY 2020-21.
3	Supply Installation testing and commissioning of 653 kWp Grid connected Solar power station at slanting /stone pitched area behind the premises of biological plant/canteen in CSEZ	3,14,03,866	1-Apr-20	This was planned in MYT and approved by Commission for FY 2019-20. This was physically completed in February 2020 and put on trial running. After trial running, this was commissioned and capitalized on 1.4.2020.
	Total	3,41,71,947		

44. The Commission has sought the clarifications regarding the source of funding of capital assets addition amounting to Rs.341.72 lakh during the year and to clarify whether such asset addition was made through open tendering process and to furnish details of consumer contribution, grants received if any. The licensee submitted that the source of funding of capital assets addition during the year FY 2020-21 was from CSEZA's own fund available in Power Distribution System Account. The licensee further submitted

that the above asset additions were done through open tendering and furnished the details of Tender documents, Tender evaluation documents, Work orders etc. CSEZA also stated that they have neither received grants nor consumer contribution for the above asset additions.

45. The Commission vide e-mail dated 19.09.2022 sought reason for variation in the value of 653 kWp grid tied solar plant from the ARR approved amount. The licensee vide letter dated 27.09.2022 submitted that CSEZA had proposed in the MYT Petition to install 650 kWp grid tied solar plant for a total cost of Rs. 329.16 lakh, based on the lowest quote in the public tender floated by CSEZA. However, the Commission had approved only Rs. 292.50 lakh for 650kWp, considering MNRE rate of Rs. 45/Wp. The licensee further stated that 653 kWp solar plant was installed as against 650 kWp estimated at the time of tender and completion cost of the work amounted to Rs. 314.04 lakh only which was less than the tendered value of Rs. 329.16 lakh. As per the licensee, the variation in the value of 653 kWp grid tied solar plant from the ARR approved amount was mainly due to the consideration of MNRE rate of Rs.45/Wp by the Commission during approval phase instead of the actual tendered cost.
46. The Commission examined the details of the tender and found that out of five participants in the technical bid, four firms were qualified for financial bid after evaluation. The Commission further noted that the L1 bid was Rs.309.11 lakh excluding GST quoted by M/s Sterling and Wilson Ltd. The Commission further examined the applicable MNRE benchmark capital cost and found that for the year 2019-20, the MNRE benchmark cost is Rs.45/Wp for capacity above 100 kW and upto 500 kW whereas the actual cost incurred is Rs.48.09/Wp which is higher than the MNRE benchmark cost. However, taking into consideration that the licensee had made efforts to get the competitive bids, the Commission hereby approves Rs.314.04 lakh including GST spent on the 653kWp Solar Power plant.
47. Based on the details furnished by the licensee, the Commission notes that funds are utilised from the accumulated regulatory surplus since no additional funding was received from elsewhere during the year. The licensee has also submitted that the asset addition was funded from the accumulated surplus. The accumulated regulatory surplus is over and above the regulated return and reasonable expenses including efficiency gains allowed by the Commission to the licensee. Hence, the said surplus belongs to the consumers to be adjusted against the consumer tariffs in future. Since such frequent tariff adjustment process is not undertaken due to uniform retail tariff, such surplus is allowed to be retained by the licensee as a source of fund for future. If any financing cost such as depreciation or interest charges are allowed for such funds, it would result in double payment by the consumers. Hence, the licensee is not eligible for any financing costs such as interest charges or depreciation on the assets created by utilising such surplus. ***The Commission after considering the items of capital***

expenditure of Rs.341.72 lakh and the submissions by the petitioner to justify this expenditure, approves Rs.341.72 lakh for inclusion in the asset base, subject to the condition that the licensee is not eligible for depreciation and other financing costs on the said items.

48. It is pertinent to mention that assets worth Rs.948.39 lakh are created out of the accumulated surplus till the year 2020-21 as per the approved figures. The details of assets created out of accumulated regulatory surplus over the years is shown below.

Table - 15
Assets additions during the year 2020-21

Asset Description	Assets Addition (Rs lakh)	Approved by the Commission (Rs lakh)
110 KV Metering CT& PT and ABT meter	25.12	25.12
New Prepaid Metering software	33.43	33.43
Total for 2016-17 (A)	58.55	58.55
11 KV RMUs	113.11*	113.11
636 kWp Grid Connected Roof Top Solar PV plants	508.8	405.45
Office Equipment-Lap top	3.5	3.5
Office equipment- Photo Copying machine	3.99	3.99
Total for 2017-18 (B)	629.4	526.05
Store Room	5.31	5.31
Fencing	3.3	3.3
Control Room (AC)	0.78	0.78
Operator cabin Room	1.25	1.25
Office Equipment's	2.19	2.19
New software for prepaid metering	5.48	5.48
Total for 2018-19 (C)	18.31	18.31
New software for prepaid metering	3.76	3.76
Total for 2019-20 (D)	3.76	3.76
11 KV RMUs	18.20	18.20
Switchgears, Control gear & Protection	9.48	9.48
Solar PV Plant	314.04	314.04
Total for 2020-21 (E)	341.72	341.72
Total (From 2016-17 to 2020-21) (A+B+C+D+E)	1051.74	948.39

*Value revised as Rs.113.11 lakh from Rs.114.17 lakh due to excess payment found during audit

Depreciation

49. The depreciation claimed by the licensee in the petition for Truing Up of accounts for the year 2020-21 is Rs.96.47 lakh as against Rs.72.03 lakh approved in the Order on ARR&ERC. The details of depreciation claim made by the licensee are shown below.

Table -16
Depreciation claimed for the year 2020-21

Sl. No.	Asset Group	Rate of depreciation (%)	Gross fixed assets				Provision for depreciation
			At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
1	Distribution lines	5.28%	496.79	0	0	496.79	8.29
2	11KV RMU	5.28%	113.11	18.198	0	131.31	6.05
3	Plant & machinery(11KV RMU)	5.28%	9.84	0	0	9.84	0.52
4	Switchgears, Control gear & Protection	5.28%	510.08	9.48	0	519.56	15.96
5	Control Room(AC)	5.28%	0.78	0	0	0.78	0.05
6	Store Room	5.28%	5.31	0	0	5.31	0.28
7	Fencing	5.28%	3.30	0	0	3.30	0.17
8	Operator cabin Room	5.28%	1.25	0	0	1.25	0.07
9	LT Distribution system	5.28%	15.56	0	0	15.56	0.82
10	Transformers	5.28%	3.50	0	0	3.50	0.18
11	Switchgears, Control gear & Protection	5.28%	1.35	0	0	1.35	0.07
12	Communication equipment	6.33%	54.41	0	0	54.41	3.44
13	Meters	5.28%	164.75	0	0	164.75	5.45
14	Furniture & fixtures	6.33%	0.44	0	0	0.44	0.03
15	Office Equipments	6.33%	11.07	0	0	11.07	0.70
16	New software for prepaid metering	15.00%	42.66	0	0	42.66	6.40
17	Solar PV Plant	5.83%	508.80	314.04	0	822.84	47.97
	Gross Asset		1,943.02	341.72	-	2,284.74	96.47

50. The Commission has examined the depreciation claim of the licensee. The licensee has claimed depreciation of Rs.96.47 lakh for 2020-21, which includes depreciation for the assets added during the year. The licensee has claimed depreciation for the entire assets, though the licensee is not eligible for depreciation on the assets created out of the accumulated regulatory surplus. The Commission while Truing Up of accounts for

2019-20 had approved an amount of Rs.32.31 lakh as depreciation after duly considering the assets added till 2015-16. Further, the Commission noticed that the licensee commenced distribution of power within its licensed area with effect from 01-05-2005 from the 110/11 kV 10/12.5 MVA substation. As such, depreciation is admissible on these assets at reduced rates. In this connection, the relevant provisions in the Regulations 2018 are as below.

Regulation 27(2) “The generation business/company or transmission business/licensee or distribution business/licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective business, computed in the following manner:-

(a) depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure-I to these Regulations for the first twelve financial years from the date of commercial operation;

(b) the remaining depreciable value as on the Thirty First day of March of the financial year ending after a period of twelve financial years from the date of commercial operation shall be spread over the balance useful life of the assets as specified in Annexure- I;

(c) the generating business/company or transmission business / licensee or distribution business/licensee, shall submit all such details and documentary evidence, as may be required under these Regulations and as may be required by the Commission from time to time, to substantiate the above claims;

(d) the salvage value of the asset shall be ten per cent of the allowable capital cost as approved by the Commission excluding cost of assets created out of contributions and grants and depreciation shall be a maximum of ninety per cent of such approved capital cost of the asset.”

51. On this basis, the depreciation approved for the purpose of Truing Up of accounts for the year 2020-21 after deducting the depreciation on assets created out of accumulated regulatory surplus as shown below:

**Table-17
Depreciation approved for the year 2020-21**

Asset Group	Rate of depreciation (%)	Gross fixed assets				Depreciation
		At the beginning of the year	Additions during the year	Adjustment & deductions	At the end of the year	
Distribution lines	5.28	496.79	0	0	496.79	7.55

11kV RMU	5.28	114.17	0	1.06	113.11	5.97
Plant & machinery (11kV RMU)	5.28	9.84	0	0	9.84	0.52
Switchgears, Control gear & Protection	5.28	510.09	0	0	510.09	15.7
Control Room (AC)	5.28	0.78	0	0	0.78	0.04
Store Room	5.28	5.31	0	0	5.31	0.28
Fencing	5.28	3.3	0	0	3.3	0.17
Operator cabin Room	5.28	1.25	0	0	1.25	0.07
LT Distribution system	5.28	15.56	0	0	15.56	0.82
Transformers	5.28	3.5	0	0	3.5	0.18
Switchgears, Control gear & Protection	5.28	1.35	0	0	1.35	0.07
Communication equipment	6.33	54.41	0	0	54.41	3.44
Meters	5.28	164.75	0	0	164.75	5.45
Furniture & fixtures	6.33	0.44	0	0	0.44	0.03
Office Equipment's	6.33	11.07	0	0	11.07	0.7
New software for prepaid metering	15	38.91	3.76	0	42.66	6.25
Solar PV Plant	5.28	405.45	0	0	405.45	21.41
Gross Asset for 2019-20		1836.98	3.76	1.06	1839.68	68.68
Add: Asset Addition during 2020-21						
11 KV RMUs	5.28		18.198			0.04
Switchgears, Control gear & Protection	5.28		9.48			0.26
Solar PV Plant	5.28		314.04			16.58
Sub-total			341.72			16.88
Total Depreciation						85.56
(Less) Assets addition through Accumulated surplus						
2016-17					58.55	32.03
2017-18					526.05	
2018-19					18.31	
2019-20					3.76	
2020-21					341.72	
Total Assets created through accumulated surplus					948.39	48.91
Balance Assets Considered for Depreciation					1233.01	
Depreciation Approved [85.56 lakh-48.91 lakh]						36.65

52. The total depreciation applicable for the year is Rs.85.56 lakh. However, as shown above, the assets created out of accumulated surplus is Rs.948.39 lakh. Depreciation is not allowable on these assets amounting to Rs.948.39 lakh. Hence the depreciation of Rs.48.91 lakh applicable to the said assets @5.28% is deducted from the total depreciation of Rs.85.56 lakh. Hence the depreciation approved for the year is Rs.36.65 lakh.
53. **Accordingly, against a claim of Rs.96.47 lakh in the Truing Up petition, the Commission hereby approves the depreciation of Rs.36.65 lakh for the year 2020-21.**

Interest and Finance Charges

54. The licensee has not claimed any interest and finance charges for 2020-21. Since the licensee is following the pre-payment metering system, interest on working capital is also not allowable.

Return on NFA

55. The licensee in the petition for Truing Up of Accounts for the year 2020-21 has claimed a Return on NFA of Rs.34.85 lakh. The Commission had approved a return of Rs.21.86 lakh in the Order on ARR&ERC which was 3% of the net fixed assets. As per the estimate of the licensee, the claim of 3% of the net fixed assets at the beginning of the year i.e., Rs.1161.61 lakh is Rs.34.85 lakh. The comparison of return on NFA for the year 2019-20 and 2020-21 is shown below.

Table-18
Return on NFA for the year 2019-20 and 2020-21

Particulars	2019-20		2020-21	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)	ARR Approved (Rs. lakh)	As per Truing Up Petition (Rs. lakh)
GFA at the beginning of the year	1940.33	1835.92		1943.02
(Less) Assets created out of Surplus	-	-602.91		
GFA at the beginning of the year eligible for RoNFA	-	1233.01		
(Less) Cumulative depreciation at the beginning of the year on assets eligible for RoNFA	-739.01	-672.19		-781.42
Net fixed assets at the beginning of the year	1201.32	560.82		1161.61
3% on Net fixed assets at the beginning of the year	36.04	16.82	21.86	34.85

56. While Truing Up the accounts for the year 2019-20, the Commission had approved an amount of Rs.16.82 lakh as against Rs.36.04 lakh claimed by the licensee. The licensee has created assets from 2016-17 using their accumulated surplus. Since the same has no cost of funds, the return on NFA is not allowable for the said assets. Accordingly, the NFA eligible for return is as shown below.

Table -19
NFA eligible for return for the year 2020-21

Particulars	As per petition (Rs.lakh)	Approved in Truing up (Rs. lakh)
GFA at the beginning of the year (01-04-2020)	1943.02	1839.68
(Less) Assets created out of Surplus up to 2019-20		
2016-17		-58.55
2017-18		-526.05
2018-19		-18.31
2019-20		-3.76
GFA at the beginning of the year eligible for RoNFA	1943.02	1233.01
(Less) Cumulative depreciation at the beginning of the year on assets eligible for RoNFA	-781.42	-708.84*
Net fixed assets at the beginning of the year	1161.60	524.17
3% on Net fixed assets at the beginning of the year	34.85	15.73

* cumulative depreciation upto 01-04-2019 Rs.672.19 lakh + depreciation approved for the year 2019-20 Rs.36.65 lakh)

57. ***As shown above, after deducting the assets created out of accumulated surplus, the RoNFA eligible for the year 2020-21 is Rs. 15.73 lakh. Accordingly, the Commission hereby approves Rs.15.73 lakh (3% of Rs.524.17 lakh) as return on net fixed assets for the year 2020-21 as against Rs.34.85 lakh claimed by the licensee.***

Revenue from sale of power: -

58. The actual revenue from sale for power for the year 2020-21 is Rs.3553.40 lakh for 503.57 lakh units as against approved revenue from sale of power of Rs.3887.85 lakh for 573.60 lakh units as approved in the Order on ARR&ERC. As per the petition, major revenue is from sale to the HT – Industrial [HT-I(A) & I(B)] category. A category wise comparison of revenue from sale of power for the years 2019-20 & 2020-21 is as shown below.

Table-20
Details of Revenue from Sale of Power for the year 2019-20 and 2020-21

Category	For Truing Up 2019-20 (Rs. lakh)			For Truing Up 2020-21 (Rs. lakh)		
	Sales In lakh Units	Revenue from sale	Average Realisation	Sales In lakh Units	Revenue from sale	Average Realisation
HT – Industrial [HT-I(A) & I(B)]	443.91	2994.46	6.75	398.17	2775.91	6.97
HT- Agricultural [HT-III(B)]	12.79	51.65	4.04	11.86	49.01	4.13
LT – Industrial [LT-IV(A) & IV(B)]	103.00	766.07	7.44	87.10	667.32	7.66
LT – Commercial [LT-VII(A)]	2.90	31.84	10.98	2.03	23.67	11.69
LT – Other categories	4.50	42.32	9.40	4.41	41.51	9.41
Gross Amount	567.10	3886.34	-	503.57	3557.42	
(Less) Fuel Surcharge	-	6.06	-	-	4.02	
Total	567.10	3880.28	6.84	503.57	3553.40	7.06

59. The Commission notes that, there is decrease in the sale (from 567.10 lakh units to 503.57 lakh units) and revenue from sale of power (from Rs. 3880.28 lakhs to Rs. 3553.40 lakh) in 2020-21 compared to 2019-20. The Commission further notes that, the cause for reduction in energy sale during FY 2020-21 compared to that of FY 2019-20 was due to the reduced consumption by consumers due to COVID-19 pandemic. The major share of revenue from sale of power (2775.91 lakh) is to the HT – Industrial [HT-I(A) & I(B)] category based on sale of 398.17 lakh units which is about 79.07% of total sale of power. ***The Commission hereby approves the revenue from sale of power at Rs.3553.40 lakh for the purpose of Truing Up of accounts for the year 2020-21 as claimed by the licensee.***

Non-Tariff Income: -

60. In their Truing Up of accounts petition, the licensee has claimed the non-tariff income for the year 2020-21 as Rs.97.05 lakh as against the approved amount of Rs.120.95 lakh in the ARR&ERC Order. The licensee has submitted that, Rs.75.84 lakh is towards interest on investments and bank balance and Rs.19.11 lakh is interest on the security deposit held by KSEB Ltd. The Non-tariff income claimed by the licensee for the year 2019-20 and 2020-21 are summarized below.

Table 21
Details of Non-Tariff Income for the year 2019-20 and 2020-21

Particulars	2019-20 As per Truing Up Petition (Rs. lakh)	2020-21 As per Truing Up Petition (Rs. lakh)
Income from sale of scrap.	11.51	0.00
Interest on investments, fixed and call deposits and bank balances.	92.4	75.84
Interest on advances to KSEB Ltd	18.12	19.11
Miscellaneous Receipts	0.09	0.00
Commission for collection of electricity duty	1.24	1.08
Meter/service line rentals	1.00	1.02
Grand Total	124.36	97.05

61. As per the details submitted, the non-tariff income include interest on fixed and bank balances, interest on advances, commission for collection of electricity duty etc. The claim of the licensee for the year 2020-21 is lower than the actual non-tariff income in 2019-20. There is increase in interest on advances to KSEB Ltd during the year 2020-21 compared to previous year. Interest on investments, fixed and call deposits and bank balances have decreased to Rs.75.84 lakh in 2020-21 from Rs.92.4 lakh in 2019-20.
62. The Commission sought clarification for the decrease in interest on investment, fixed and call deposits and bank balances from Rs 92.40 lakh in 2019-20 to Rs.75.84 lakh in 2020-21. The licensee submitted that the bank interest rates applicable for fixed deposits and short-term deposits during FY 2020-21 reduced from the rates prevailed in FY 2019-20. Further, for the addition of solar power plant, funds were utilized in FY 2020-21. Due to the above reasons, FD interest for 2020-21 has reduced to Rs 75.84 lakh compared to Rs 92.40 lakh in FY 2019-20.
63. The Commission further sought the details of actual interest on security deposit received from KSEB Ltd and the licensee submitted that CSEZA has received Rs.19.11 lakh from KSEB Ltd as interest on Security Deposit which was adjusted in June 2020 KSEB EHT bill. This is actually the interest on security deposit for the year 2019-20 at bank rate applicable on 1.4.2019.
64. The Commission also sought the complete details of fixed deposits and interests received during the year 2020-21 and the licensee vide letter dated 25.08.2022

submitted that CSEZA has an opening balance of Rs.11,23,22,422/- for Fixed deposits in the year 2020-21. Out of which, fixed deposit equivalent to the value of Rs.4,12,68,448 was executed as security for Bank Guarantee in favor of KSEB Ltd and another set of fixed deposits equivalent to the amount of Rs.4,33,31,870 was towards security for irrevocable Letter of Credit issued to KSEB Ltd against supply of power in CSEZA. CSEZA had created fixed deposits out of surplus earned from distribution business to ensure that no fund has been kept idle and Capital addition expenses are met out of these Fixed Deposits. CSEZA has earned total interest of Rs.75,84,492.25/- during the year 2020-21 and out of which Rs.7,68,674/- was earned from short term fixed deposits. Thus at the end of the FY 2020-21 total Fixed deposits held by CSEZA amounts to Rs.11,94,51,968/-.

65. The details of FD interest during 2020-21 is as shown below.

Table-22
Details of FD interest during 2020-21

SINo	FD No	Opening date	Value as on 01/04/2020	Value as on 31/03/2021	Interest	Interest as per petition
1	6607142762	2/15/2018	9693742	10319028	625286	611568.7
2	6606918408	2/14/2018	10263961	10926028	662067	647254.2
3	6727905671	2/19/2019	3500000	3808346	308346	266718.2
4	6608432756	2/19/2018	9693742	10319028	625286	612660
5	6606918179	2/14/2018	10263961	10926028	662067	619475.2
6	6606253032	2/12/2018	10263961	10926028	662067	646676.3
7	6579800834	11/9/2017	1266676	1350375	83699	77672.81
8	6522095475	4/21/2017	8532292	9120891	588599	552262.5
9	6410484094	2/3/2016	8910592	9432274	521682	505597.5
10	6406996904	1/21/2016	11614787	12294789	680002	654324.6
11	6406666705	1/20/2016	11614787	12294789	680002	650950.8
12	6452686320	7/26/2016	1765274	1887480	122206	110173
13	6406279353	1/19/2016	11614787	12294789	680002	653599.7
14	6780192483	7/16/2019	3000000	3207684	207684	186432.6
15	6871223488	3/19/2020	323860	344411	20551	20452.2
	Total		112322422	119451968	7129546	6815818
Interest earned on Short term FD as per Annexure 2					768674	768674
Grand Total					7898220	7584492

66. The interest earned on long term deposits (difference between opening value as on 01.04.2020 and closing value as on 31.03.2021) amounts to Rs.71.30 lakh whereas the interest earned on long term deposits as per the petition amounts to Rs.68.16 lakh only. The interest earned on short term deposits amounts to Rs.7.69 lakh. Since the interest earned on long term deposits is higher than the amount as per the petition, the

Commission considers Rs.71.30 lakh for the purpose of truing up. Thus, the total interest on deposits for the year 2020-21 amounts to Rs.78.98 lakh.

67. The Commission examined the details furnished by the licensee. The licensee is holding an accumulated regulatory surplus at the beginning of the year 2020-21 of Rs.1391.53 lakh as per the Order on the Truing Up of accounts for the financial year 2019-20 dated 21-10-2021. The Commission has approved capital additions of Rs.948.39 lakh till 2020-21 from the accumulated surplus. Considering this capital expenditure, the balance regulatory surplus available for interest income is Rs.443.14 lakh (Rs. 1391.53 lakh – Rs. 948.39 lakh). The retail term deposit rate of SBI for a tenor of one year as on 01-04-2020 is 5.70%. Thus, the interest income would be Rs.25.26 lakh. As the licensee had invested the surplus funds prudently in Fixed Deposits with banks and earned interest at rates higher than that applicable for a tenure of one year, the Commission is not assessing notional interest on accumulated surplus and approves Rs.78.98 lakh as the interest on deposits for the year 2020-21.
68. The table below shows the Non-tariff income approved for the year 2020-21.

Table-23
Non-Tariff Income approved for the year 2020-21

Particulars	2020-21	
	As per Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Interest on investments, fixed and call deposits and bank balances.	75.84	78.98
Interest on advances on KSEB Ltd	19.11	19.11
Miscellaneous Receipts	0.00	0.00
Commission for collection of electricity duty	1.08	1.08
Meter/service line rentals	1.02	1.02
Grand Total	97.05	100.19

69. ***Thus, the Commission hereby approves the non-tariff income of Rs.100.19 lakh as against Rs.97.05 lakh claimed by the licensee for Truing Up of Accounts of 2020-21.***

Revenue (Gap)/Surplus after Truing Up of Accounts for 2020-21

70. The licensee in the petition for truing up has claimed a revenue surplus of Rs.169.10 lakh as against the approved revenue surplus of Rs.84.51 lakh for the year 2020-21. The approved Total Expenditure and Total Revenue for the year 2020-21 after truing up is as shown below.

Table-24
Approved Truing Up of account for the year 2020-21

Particulars	2020-21		
	Approved in ARR (Rs. lakh)	Truing Up Petition (Rs. lakh)	Trued Up (Rs. lakh)
Revenue from Sale of Power	3887.85	3553.40	3553.40
Other Income	120.95	97.05	100.19
Total Income	4008.8	3650.45	3653.59
Purchase of Power	3619.16	3167.46	3169.77
R&M Expenses		8.95	
Employee Cost	211.24	137.93	201.68
A &G Expenses		35.69	
Depreciation	72.03	96.47	36.65
Return on Equity	21.86	34.85	15.73
Total Expenditure	3924.29	3481.35	3423.83
Net Surplus/(Deficit)	84.51	169.1	229.76

Orders of the Commission

71. The Commission after considering the petition filed by M/s. CSEZA for truing up of accounts for the year 2020-21, the views presented by the licensee during hearing, comments raised by KSEB Ltd. and the clarifications and details provided by the licensee hereby approves the following:

- a) Total income is **Rs3653.59 lakh**
- b) Total expenditure is **Rs. 3423.83 lakh**
- c) The revenue surplus for the year is **Rs. 229.76 lakh**
- d) The cumulative revenue surplus at the beginning of the year 2020-21 was Rs. 1391.53 lakh. The accumulated revenue surplus thus, at the end of the year 2020-21 would be Rs.1621.29 lakh (Rs.1391.53 lakh + Rs.229.76 lakh). However, the licensee has made investments to the tune of Rs.948.39 lakh for capital expenditure. **Thus, the balance available surplus is Rs.672.90 lakh (Rs.1621.29 lakh – Rs.948.39 lakh)**. The licensee shall keep the surplus arrived at after the

Truing Up of Accounts in a separate fund and utilize it as per orders of the Commission.

Directives

72. The Commission issues the following directives for compliance by the licensee:
- a) The licensee shall reconcile the difference in power purchase figures in the Truing up petition with that of KSEB Ltd within a period of 3 months from the date of issue of this Order.
73. The petition is disposed of. Ordered accordingly.

Sd/-

Adv. A.J. Wilson
Member (Law)

Approved for Issue

Sd/-

Secretary